The *Prudent-Growth* Portfolio

October 2012 - Week 3

WALKING THE MARKET BACK TO DECISION-TIME. BULL TRAP?!

The Investment Climate:

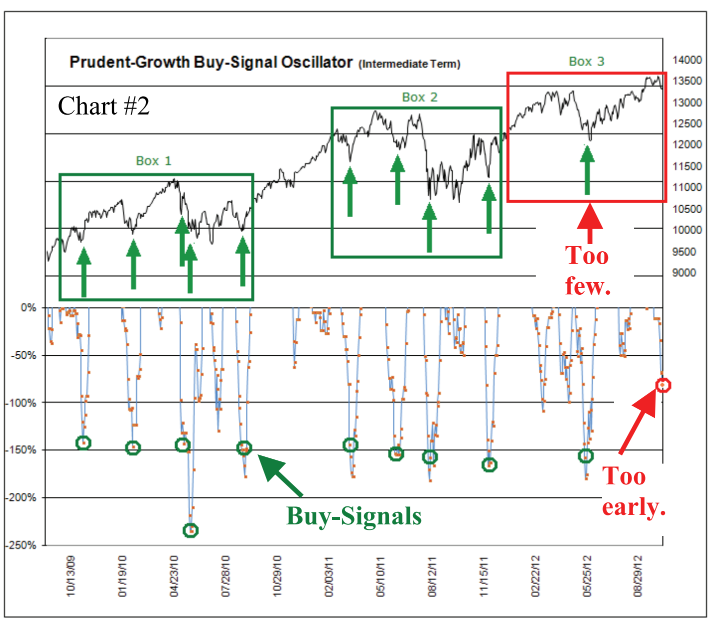
We should see day-traders step up as buyers early this week on any good news. The current stair-step rally launched four months ago in early June and morphed into an up-trending “channel” (red lines in chart #1) hitting its most recent re-

sistance in mid-September. Thanks to concerns about the fiscal cliff, the election, economic weakness and earnings-reporting season it has been “walked” back to the channel’s support line.

This point is typically “decision-time” for investors where bulls find their favorite stocks reaching oversold price levels and a chance to add to their portfolios. This is also where day-traders, for purely technical reasons, do some buying. Even *Prudent-Growth* would step up to buy investments at this support line, all else equal.

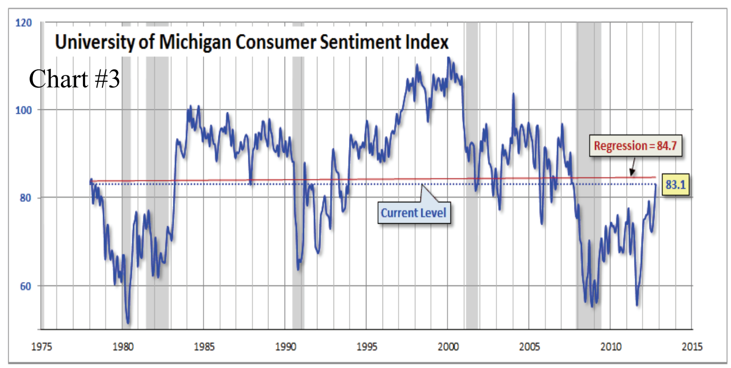
But all else is not equal. In addition to the length of time of the bull market since 2009 and the extent of the current rally, and given the ominous “head-&-shoulders” pattern for market-leader Apple (see last week’s report), we believe our other indicators will keep us from stepping up and buying.

Chart #2 is the intermediate-term version of our *“Buy-Signal Oscillator”*. As the chart shows it has been very successful providing optimum levels for the redeployment of cash into our stock picks. Currently the indicator is short of the level reached in past declines. Also note the three boxes. Boxes 1 & 2 have many buy-signal points implying a build-up of bearish sentiment during the time the market spent within the box. This is bullish as it creates a build up



of buying power among investors upon which to support a sustained and favorable risk-reward. Box 3, within which we currently reside, has but a single buy point and, given the length of time and the level of appreciation already experienced, we believe this may not bode well for buyers of this particular pull-back to the channel’s support line.

Because bear markets by nature are swifter than bull markets, this indicator has a tighter time-period thus we should expect to see this indicator give us a buy signal soon but because it does not forecast price levels we must be respectfully not to start buying too early as this level could be significantly lower than Friday’s close.



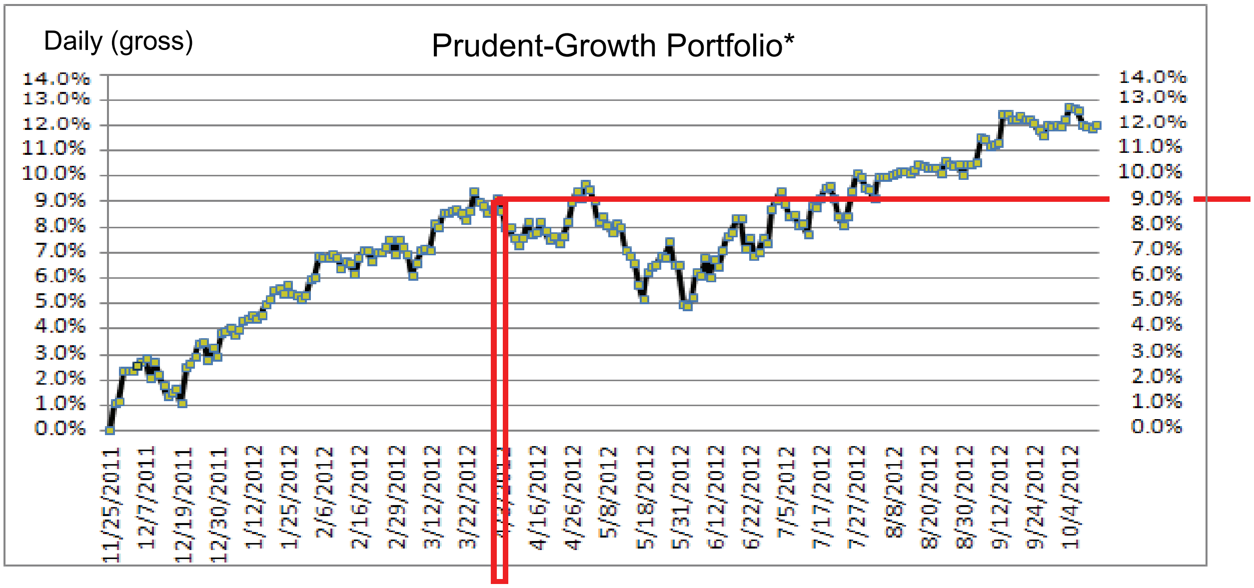
As a side observation, we are encouraged that the U of M Consumer Sentiment Index (chart #3) has recovered to its regression line. With 70% of the US economy dependent on the consumer this trend of improving consumer confidence could bode well for corporate earnings in 2013 once the “cliff” and the election are behind us.

The Portfolio Strategy:

While the stock market has pulled back to its April 2nd top, and thus has yielded no appreciation to investors, the Prudent-Growth portfolio now remains at an all-time high and is 2.5% above April’s high. This is a subtle but important trait of our process in our attempt to provide risk management for the attainment of long-term absolute returns.

Over the past three weeks we have reduced our holdings on rallies by another 9 stocks to 19. As always our guide to choosing the candidates for sale remains our *ROI Stock-Selection Model.* Given the issues discussed in the “investment-climate” section of this report we expect to be in a position to put cash to work when our model uncovers quality companies offered a optimum valuations.

*RAM taxable SMA account. *see disclosure for details.*



April 2nd market top

* DISCLOSURE

Past performance is not indicative of future results.

The performance shown in all charts for RAM's Prudent Growth Portfolio is for a single-managed account (SMA) managed on a fully-discretionary basis by RAM Capital Management LLC (RCM) and that adheres fully to RCM's Prudent-Growth investment process and portfolio execution. In some cases, due to the modest size of an account or if client restrictions are placed on the account, the SMA account's performance may vary.

Investors should carefully consider the investment objectives, risks, charges and expenses of an SMA account offered by RAM Capital Management LLC. Any performance data quoted here represents past performance. Current and future performance may be lower or higher than that experienced in the past. Investment return and principal value will fluctuate, so that SMA accounts, when closed, may be worth more or less than their original cost. Past performance is no guarantee of future results.

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A Single Managed Account (SMA) is an actively managed portfolio. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. The SMA will incur a loss as a result of a short position if the price of the short position instrument increases in value between the date of the short position sale and the date on which the SMA purchases an offsetting position. The SMA's losses are potentially unlimited in a short position transaction. A higher portfolio turnover will result in higher transactional and brokerage costs.

The past performance for January 1, 1996 to September 30, 2010 is for the RAM Capital L.P fund. The prior performance is net of transaction expenses and net of management fees (0.50% per annum). Also prior performance does not include the effect of the LP's performance fee, which does not apply to SMA's. On October 1, 2010 the partnership was converted to, and its performance ported to, the RAM Risk-Managed Growth Fund, a mutual fund adhering to the Investment Companies Act of 1940 and regulated by the SEC. Past performance since the conversion is net of management fees (1%) and expenses (0.25%), terms incorporated in the fund's prospectus. The latter expense does not apply to SMA's although all commissions and other charges, fees and expenses associated with an SMA are the responsibility of the SMA owner. The LP and the mutual fund were managed in the same style and by the same portfolio manager and advisor, RAM Capital Management LLC, since the fund's inception on January 1, 1996. Effective September 30, 2011 all performance for the Prudent-Growth portfolio is based on a representative SMA and are net of expenses and net of management fees (0.50% per annum) except in daily-performance presentations. **The past performance is not necessarily an indication of how an SMA will perform in the future.**

The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index.